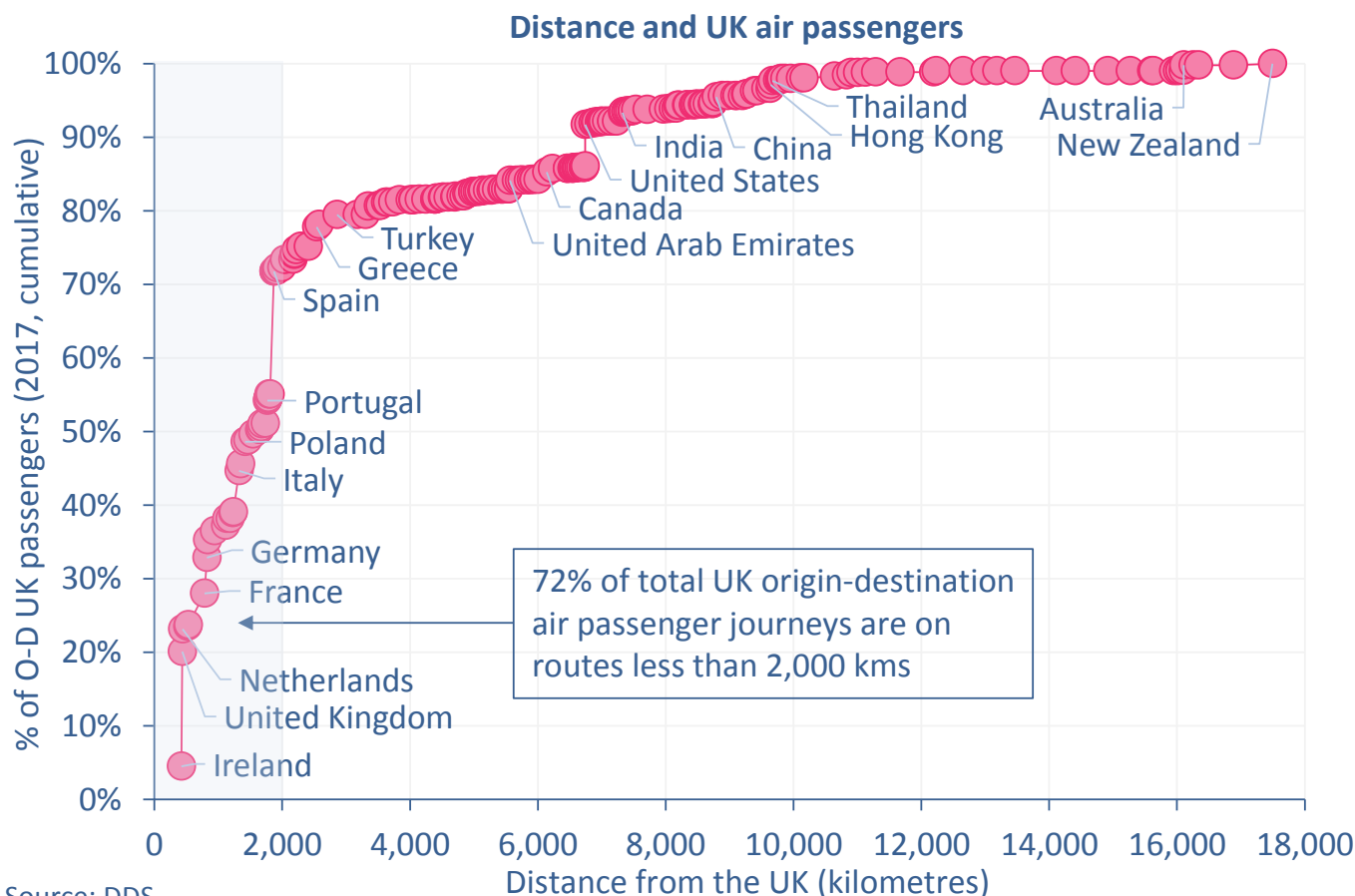




## IATA ECONOMICS' CHART OF THE WEEK

20 JULY 2018

### POST-BREXIT PASSENGER TRAFFIC CANNOT ESCAPE THE PULL OF GRAVITY



- One of the key areas in the Brexit debate is the extent to which maintaining close alignment to the EU 'rulebook' on goods trade will prevent the UK from forging its own trade relationships with non-EU countries in the future. Some advocates of Brexit argue that the fast-growing emerging market economies – particularly in Asia – offer more lucrative trading opportunities than the slower-growing economies in the EU.
- A counterpoint to this view stems from the well-known gravity relationship, which says that the amount of goods trade between two countries is positively related to their size but negatively related to the distance between them. As Paul Krugman argues ([link](#)), the simple fact that these alternative markets are further away from the UK than the EU is likely to limit the amount of goods trade they will do with the UK – no matter how good the trade deals negotiated post-Brexit are.
- As this week's chart shows, the logic of the gravity relationship also fits with what we see in air passenger traffic; nearly three-quarters of all origin-destination passenger journeys from the UK, and around two-thirds of international journeys, are on comparatively short routes less than 2,000 kilometres (~1,250 miles). This partly relates to the tight-packed geography of Europe; a similar relationship is observed for air traffic from other European countries. But it underlines the limited extent to which long-haul markets are likely to be able to offset even modest reductions in short-haul passenger flows. For example, passenger flows from the UK to the US would have to double to offset a hypothetical 10% decrease in passenger traffic between the UK and its closest neighbors. Traffic to China would have to rise *ten-fold* to do the same.
- All told, whatever happens in the Brexit negotiations, maintaining air connectivity is key to sustaining the health of the airline sectors in both the UK and the rest of Europe, as well as the wider economic benefits that aviation enables.

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